

INDUSTRY UPDATE

Biweekly Period Ending September 7, 2002

Phoenix Metro Area

Manufacturing

Phoenix-based **Simula Inc.**, which makes a variety of transportation and military safety equipment, will **move its air-bag manufacturing operation to Mexico**, costing the Valley 14 jobs. A small player in the air-bag business (compared to TRW Inc. and Delphi Corp.), Simula is attempting to return to profitability after six years of losses. The company, which employs 330 in Arizona — producing armor for vehicles, protection vests and parachutes, and helicopter seats — laid off 60 employees in March. (See related story on TRW in Aug. 24, 2002, *Industry Update*)

The Boeing Co., which employs 4,000 at its Mesa helicopter plant, **received a \$900 million order** from Kuwait in early September for **16 AH-64D Apache Longbow attack helicopters**. Although the Middle East country's **order isn't expected to create additional employment**, it will extend the life of the Apache's assembly line, which has been in business since the early 1980s. Besides Kuwait, Boeing has Apache orders with the U.S. Army and five other countries over the next decade.

The planned **move of a maker of aircraft parts and gas turbines** from Phoenix **to Tempe** will give the company room to **expand its operations and employment by 30 percent beginning next year**. In December, **Stopler Fabralloy** will move two of its divisions employing 400 workers into a 101,000-square-foot building formerly occupied by

MicroAge (2925 S. Roosevelt St.). Stopler Fabralloy is a subsidiary of Operational Components, which is owned by Triumph Corp. of Wayne, Pa. Operations of nine Triumph subsidiaries in several Valley cities employ about 1,300 workers.

Trade

The Federal Trade Commission's **approval** of the **merger** between **Phillips Petroleum Co.** and **Conoco Inc.** in late August **could have some negative effects** on Valley employment. **Some** of the **1,500 jobs** at a **Phillips' marketing and customer-support center in Tempe**, which manages Circle K and Phillips 66 gas and convenience stores, **will be moved** to the new company's home in **Houston**. But the **fortunes of more than 900 workers** at the Tempe facility — taken over by Phillips last year when it merged with Tosco — are **still up in the air**. The merger could also affect Arizona employment outside the Valley, if the newly merged company, called Conoco, decides to sell off its Circle K stores in the state.

Boise, Idaho-based **Albertson's Inc.**, which recently finished converting its 36 Valley supermarkets into combination Albertson's-Osco stores, said it **plans to double** its annual pace of **expansion** in the **Phoenix-area**. The company disclosed it will spend \$500 million in its Southwest Division over the next three years to build Albertson's-Osco locations or free-standing Osco drug stores. Through August, Albertson's had built six stores in Maricopa County in 2002. ... In early September, **Macy's opened** its **larg-**

est Arizona store — and its first in the state in five years — at **Fashion Square Mall in Scottsdale**. The 220,000-square-foot Macy's, which provides some convenience with express check-out and shopping carts, replaces a Sears location that closed a couple of years ago. ... Another national chain seeking to replace a failed Valley store is **Target**, which **wants to tear down** a former **Montgomery Ward store near Fiesta Mall** (Southern Avenue and Alma School Road) and **replace** it with a **new building**. Minneapolis-based Target expects to open the new location in time for Christmas shopping in 2003. ... About **50 employees** at **three Don Pablo's Mexican restaurants** in the Valley **lost their jobs** in early September when the national chain pulled out of the Arizona market as part of a seven-store closure. Georgia-based Avado Brands, which owns Don Pablo's, said it plans to concentrate its efforts in markets where sales are strong.

Tucson Metro Area

Manufacturing

As had been expected, **Raytheon Missile Systems** said in early September it will **lay off 150 engineers** due to the elimination or reduction in funding for three Tucson-based programs by the Department of Defense (see Aug. 10, 2002, *Industry Update*). In January, Raytheon announced it would eliminate 400 engineering jobs this year due to the elimination of the Standard Missile-2 Block IVA program and scale-back of two other missile programs. A month later, the company laid off 180 workers. Massachusetts-based Raytheon employs about 10,000 in Tucson.

While many of **IBM's** operations across the country are downsizing, its **Tucson**

facility on Rita Road and I-10 is **expanding**, with the **potential for more growth** down the line. In mid-August, IBM announced it would cut more than 15,600 jobs worldwide, or 5 percent of its workforce, with most of the layoffs coming in its Global Services division, which has been particularly hard hit by the high-tech slowdown. But IBM announced in early September that Tucson's **Storage Systems Division** will **gain 50 executives**, who will be transferring from the unit's home base in San Jose. Tucson's operations, which employ about 1,600 workers, have been a hub of activity since the Storage Systems Division signed an agreement with Hitachi earlier this year to develop storage products for the future. IBM, however, said the transfer of employees was not a direct result of the Hitachi agreement.

Services

A **Tucson engineering firm**, which was **awarded a \$7.6 million contract** by Northrop Grumman in August, will **hire between six and 10 employees** to **work on a Navy mine-detecting project** over the next three years. **Electro-Optics Development Center**, a division of Kaman Aerospace of Connecticut, will develop the Rapid Airborne Mine Clearance System, which will detect and help destroy near-surface and surface sea mines. The positions, which will pay between \$40,000 and \$70,000 a year, include **engineers, technicians, and project managers**. ... In order to better serve its Pima County clients and because of anticipated business growth, a Tempe-based **computer-networking company** **opened an office in Tucson** in early September. **Calence Inc.**, which installs wireless and hard-wired networks, did not announce how many jobs the new office will create in the short or long term.

For information about job opportunities, go to the company's Internet site: www.calence.com.

Balance of State

Construction

St. Louis-based **McCarthy Construction** will begin preliminary work in October on a **\$58.6 million expansion and renovation of Yuma Regional Medical Center**. The project, expected to be completed in November 2004, includes: a new **six-story, 200,000-square-foot tower** with 120 beds on the hospital's southwest side; three new operating rooms, including one for heart surgery, and an intensive care unit; renovation of 27,000 square feet in existing operating rooms; and a terraced parking lot for several hundred cars. For information about job opportunities, contact McCarthy's Southwest Division, which is based in Phoenix.

Services

In an effort to reduce turnover (around 20 percent), **Havasu Regional Medical Center** will **increase pay for professional and support staff** between 5 percent and 65 percent in mid-September (see related story in "Government," below). The Lake Havasu City hospital, which employs 560 workers, will spend about \$1 million to improve salaries after conducting a wage survey of surrounding hospitals. The average raise will be about 15 percent.

Government

Border patrol agents in Arizona (and nationally) will **receive significant raises** after completing a one-year probation period. Because of increased con-

cerns about terrorism and high turnover in the agency, this summer Congress approved raises of \$7,000 a year for border patrol agents, whose starting salary is around \$30,000. Immigration inspectors will receive raises between \$2,000 and \$6,000 annually for completing a similar probation period. News of the incentive pay plan spread fast, with job seekers flooding Yuma's immigration office with calls, reported the *Yuma Daily Sun*. The Yuma Sector of the Border Patrol has recently lost nearly 40 agents, mainly due to defections to the higher-paying U.S. Air Marshal program.

Statewide

Transportation, Communications, and Public Utilities

About **250 employees of Consolidated Freightways (CFS) lost their jobs** in Arizona over Labor Day weekend, when the 73-year-old, Vancouver, Wash.-based company announced it was **filing for bankruptcy** and planning to sell off its assets. One of the nation's largest trucking companies (15,500 employees), Consolidated had offices in Phoenix, Tucson, Flagstaff, and Casa Grande, with about 200 people working in the Phoenix area. CFS, which has lost money the past three years due to a high debt load and declining revenues, delivered goods for multiple businesses per truckload, or a "less-than-truckload carrier." It's not expected that local trucking companies, such as Phoenix-based **Swift Transportation** and **Knight Transportation**, will **benefit much** from CFS' bankruptcy because they are "full truckload carriers," or use entire trucks for specific companies' shipments.

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